

COMPLETE TEXT OF SPEECH TO  
AMERICAN BUSINESS CONFERENCE

9 March 1983

Introduction

Good morning. I am very happy to be meeting with you today. We in the Intelligence Community favor these dialogues with the business community for while there are those who believe intelligence operates in its own world, actually our efforts and yours are mutually reinforcing. Whether you are Director of Central Intelligence or a Chief Executive Officer of a corporation, particularly one with international operations, accurate assessments of political and economic trends are essential to protecting and promoting national or corporate interests.

CIA regularly receives valuable help from patriotic individuals in private industry, research and academic institutions who volunteer their knowledge on foreign political, military, or economic matters.

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I would like to open our discussions today with some remarks on two issues of growing importance to intelligence which also significantly affect U.S. businesses--Soviet illegal acquisition of our technology and international terrorism. I would also like to briefly bring you up-to-date on some of the changes underway in intelligence as we rebuild our resources.

### Technology Transfer

It was Lenin who first said, "The capitalists will sell us the rope we need to hang them." His remarks ring true today. Only about a year ago were we able to establish the degree to which the accuracy, the precision, and the power of Soviet weapons, which we are now required to counter with budget-busting appropriations, are based on our own R&D and Western technology in general.

Soviet troops were carried into Afghanistan by trucks constructed at the Kama Truck Plant which is outfitted with \$1.5 billion of modern American and European automotive production machinery. The newest Soviet ICBMs contain precision components, gyros and accelerometers, manufactured with U.S. equipment.

The Soviet economy is plagued by inefficiencies caused by overcentralization, lack of creativity, alcoholism, and low morale. To sustain their massive military build-up, the Soviet Union turns to our businesses for proven, state-of-the-art technology.

Soviet defense plants routinely use Western R&D approaches, and our blueprints to shorten weapon leadtimes, and even to develop countermeasures before we develop the weapons to which the countermeasures apply. They satisfy about 30 percent of their technology requirements by legal, open means; but for about 70 percent they turn to their intelligence services. Former KGB officers have told us that clandestine acquisition of Western technology is the highest collection priority for the KGB and its military counterpart the GRU.

How is this done? Well for some 15 years Soviet intelligence organizations have recruited hundreds of young scientific and technically trained people to target and acquire shopping lists. They hide behind dummy trading companies or sometimes they engage bona fide European firms as middlemen to obscure the ultimate destination of restricted equipment. They may deal with European subsidiaries of U.S. companies believing security

controls may be more relaxed. There are more than 30 Communist country owned-U.S. chartered firms in the U.S.; in Western Europe, however, there are more than 300. A common technique is to use East Europeans--Poles, Hungarians, and, in one case, a Belgian--as front men.

A hostile intelligence officer may even misrepresent himself as a citizen of a country friendly to the United States and a targeted American may be duped into handing over sensitive information believing he is aiding an ally. Foreign intelligence officers exploit traditional American beliefs, such as freedom of speech or the conviction that scientific advancements should be allowed to benefit all mankind, in an attempt to elicit information. In the interests of scholarship and science, an American is encouraged to exchange results of his research with a "colleague" of the international community of scientists. And, of course, hostile intelligence operatives capitalize on human weaknesses, such as greed. Appealing to an American's material needs is perhaps the most common and effective technique.

Soviet acquisition efforts are increasing. Although no business is risk free, small companies involved with

rapidly developing technologies are particularly vulnerable since they may believe their work, more theoretical and undefined, is of little concern to our adversaries.

We, in the Intelligence Community, are redoubling our efforts to learn as accurately as possible what items are on the Soviets' shopping list. In CIA, we have established a new analytical center, the Technology Transfer Assessment Center to facilitate political, economic, and military analysis. We then pass our intelligence to the Justice Department, the FBI, Commerce, and other government components responsible for domestic law enforcement.

In the policy arena, the government is also taking such measures as strengthening COCOM--the Coordinating Committee for Multilateral Export Control--and tightening restrictions on activities of Soviet and East European nationals in the United States. But the real defense barriers, the front lines, are in businesses' shops, offices, and laboratories.

### International Terrorism

Last spring, while both U.S. and European news broadcasts focused on the daily meetings of the Versailles Economic Summit, bombs in Paris ripped apart the offices of the American Express, the Bank of America, and the American

School of Paris. These incidents and an increasing number of others demonstrate that international terrorism not only disrupts the functioning of the international system but also directly threatens U.S. economic interests abroad. The pervasive threat of terrorism has affected the conduct of diplomacy, travel and commerce.

If cleverly exploited, terrorism can gain relatively impotent, subnational groups international attention and, perhaps, strategic leverage. The cumulative impact of Palestinian terrorist acts in the 1970s was to keep Palestinian interest at the forefront of the world community.

U.S. citizens are the primary targets of terrorists followed by those of the UK, USSR, France, Israel, Turkey and Iraq. Almost 200 Americans have been killed by such attacks. While about one-half of these were victims of indiscriminate acts, the number of Americans purposely singled out for assassination has steadily increased. Although diplomats are the frequent victims, American businesses remain the next likeliest mark.

Since 1968, we have recorded 719 bombings, 63 kidnappings, 29 assassination attempts, and 23 armed attacks directed against U.S. business interests. Bombings are the

most common type of attack because explosives are relatively easy to obtain but hard to trace. Bombings also normally involve little personal risk to the perpetrators.

In 1982, over a hundred attacks were carried out against U.S. businesses; 30 businessmen were wounded--luckily none were killed--and fifty-six percent of the recorded attacks resulted in significant damage to property. Over the years, U.S. companies that have been the target of terrorists run the gamut from well-known giants of world business to small, privately-owned, companies. Frequent victims are companies such as Coca-Cola, Ford, Chrysler, Colgate-Palmolive, and Sears which are symbolic of the "American way of life." Oil firms and large financial enterprises can also be attacked for symbolic as well as practical reasons.

Terrorists often attack or threaten companies for financial gain. Extortion payments for a kidnapped executive can be millions of dollars. Terrorists then use this money to buy arms, transport, and expand their operations. It is estimated that U.S. firms paid about \$125 million in ransoms over the past ten years.

About a hundred terrorist groups have claimed credit for attacks on U.S. businesses over the last fourteen

years. Although Latin America is still considered a high-risk area due to the number and frequency of hostage takings and assassinations, last year the highest number of attacks occurred in West Germany, followed by Italy and Greece.

### Help is Available

Help is available to U.S. businesses. The CIA has a center devoted to tracking terrorist groups. We have strengthened our ability to collect and analyze intelligence on terrorism and we have taken steps to improve the exchange of information with our friends and allies. American embassies and consulates will advise any American citizen or business representative on terrorist threats in any foreign country and can also provide security suggestions. The State Department, with whom we work closely, has an Office for Combatting Terrorism in operation 24 hours a day to coordinate the U.S. government responses to any terrorist incident.

### Progress in Intelligence

I would like to turn now to the changes underway in intelligence today as we rebuild. During the 1970s our intelligence gathering capabilities were drained substantially with a 40 percent cut in funds and a 50 percent slash in personnel; and we have been very busy for the past two years rebuilding these resources.



More analysts are being hired to address areas of new interest--the Third World, nuclear proliferation, international terrorism, insurgency, instability, and global resources. We are also taking advantage of the expertise of outside scholars and researchers recognizing that our own people have no monopoly on the truth. More and more, we reach into the think tanks, the colleges and universities, and the business community for different perceptions and new approaches.

The drawdowns in funding and personnel in the 70s showed up most vividly in the national estimates, our primary Intelligence Community product to the President, which dwindled from an annual average of 50 in the late 60s, to 33 in the early 70s, and even further down to a yearly average of 12 from 1975 through 1980. This has been restored as it has to be to cover the ever growing threats and challenges to which policymakers must address themselves. During 1981 we did 38 national estimates and we finished more than 60 last year.

Even more importantly, we have started a new fast track system that has drastically reduced the amount of time necessary to place an estimate on the President's desk. We have also taken steps to assure the integrity and objectivity

of our analysis. The chiefs of the various components of the Intelligence Community sit on the National Foreign Intelligence Board and function as a Board of Estimates. Each chief at the table must see that the judgments of his organization are clearly spelled out in the estimate. This way instead of giving the policymaker some compromised conclusions, the estimate fully reflects all viewpoints within the Community. The practice has reduced the time necessary to coordinate an estimate and has helped to develop a new spirit of constructive collaboration in the Intelligence Community.

Recently we finished an extensive review of the intelligence challenges ahead, as well as the adequacy of our current collection and analytical capabilities. The challenges and demands keep multiplying. We believe, however, that with our recent reforms, additional analysts, and new technical collection methods, we are moving in the right direction.

#### FOIA

One final thought, we sometimes have a propensity in this country to shoot ourselves in the foot. It is ridiculous for us to be the only country in the world which because of the Freedom of Information Act gives anyone license to poke into our intelligence files. The

press gets annoyed whenever I talk about poking into files but that is what it amounts to. We are not calling for total repeal of the Act, nor are we asking for exemption from the Privacy Act which gives all Americans the right to get information about themselves. But we should not be compelled to search thousands of documents, at great expense and loss of time, for materials that we know in advance are not releasable. The law creates a perception which prevails around the world, with other intelligence services or people who want to help us, that we cannot assure them confidentiality.

Let me give an example of the absurd situations we face. The Iranian regime--the same government that held our people hostage--has recently filed an FOIA request for all information in CIA on the late Shah. This is a perfectly legal request and we have to take it seriously and respond. We need to reform the law. As Justice Goldberg once said, "While the Constitution protects against invasion of individual rights, it is not a suicide pact."

Thank you for asking me to meet with you today. I am looking forward to our discussions and your thoughts on our efforts.